

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of State Civil Service
State of Louisiana
Baton Rouge, Louisiana

June 20, 2001



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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DEPARTMENT OF STATE CIVIL SERVICE
STATE OF LOUISIANA
Baton Rouge, Louisiana

Procedural Report
Dated May 14, 2001

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

June 20, 2001



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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May 14, 2001

DEPARTMENT OF STATE CIVIL SERVICE
STATE OF LOUISIANA
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Department of State Civil Service. Our procedures included (1) a review of the department's internal control; (2) tests of financial transactions for the years ended June 30, 2000, and June 30, 2001; and (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ended June 30, 2000, and June 30, 2001. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected departmental personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed a recommendation for improvement. We then discussed our finding and recommendation with appropriate management personnel before submitting this written report.

The Annual Fiscal Reports of the Department of State Civil Service were not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

Failure to Update and Reconcile Movable Property Records

The Department of State Civil Service, Division of Administrative Law, did not tag or notify the Louisiana Property Assistance Agency (LPAA) of movable property acquisitions in a timely manner. In addition, the department did not reconcile its movable property records to LPAA records to ensure that all property was properly recorded in each system. Louisiana Administrative Code (LAC) 34:VII.307 requires tagging of all acquisitions of qualified property and the transmittal of all pertinent inventory information to LPAA within 45 days of receipt of the property. In addition, good internal control includes a timely reconciliation of agency records to LPAA records to ensure that the property has been properly recorded.

DEPARTMENT OF STATE CIVIL SERVICE
STATE OF LOUISIANA

Procedural Report, Dated May 14, 2001

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An LPAA audit report dated October 2, 2000, noted that the Division of Administrative Law had 400 total items of property that were not tagged timely nor was the required information entered into the LPAA system within 45 days of acquisition. During our examination, we tested 15 movable property acquisitions totaling \$79,397 from the entire Department of State Civil Service. This test revealed that five items totaling \$44,413 were reported to LPAA from 30 to 557 days in excess of the required 45 days; all five of the items belonged to the Division of Administrative Law.

In addition, the Department of State Civil Service could not provide monthly reconciliations between its master inventory files and LPAA property reports. The lack of monthly reconciliations increases the risk that property could be erroneously recorded in or omitted from either property system.

Failure to update and reconcile movable property records in a timely manner increases the risk of loss of the property and subjects the department to noncompliance with state laws and regulations. Furthermore, the financial statements may contain inaccurate information on fixed assets when movable property records are not properly maintained.

The Department of State Civil Service should ensure that all property is tagged and that the required information is transmitted timely to LPAA. In addition, monthly reconciliations between department master files and LPAA records should be performed. Except for the matter relating to the Division of Administrative Law discussed below, management concurred with the finding and outlined plans of corrective action to implement the recommendations. The Division of Administrative Law indicated that three of the five items cited in the finding as reported untimely to LPAA were, in fact, reported within the correct timeframe, but an error in LPAA's system gave the appearance that the Division of Administrative Law was untimely (see Appendix A, pages 1-4).


Additional Comments: Our review of LPAA reports disclosed that all five items were not tagged and reported to LPAA timely.

The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvements to the operations of the department. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the department should be considered in reaching decisions on courses of action. This finding relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

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This report is intended for the information and use of the department and its management. By provisions of state law, this report is a public document, and it has been distributed to the appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

DBS:EFS:DSP:dl

[DSCS01]

Appendix A

Management's Corrective Action Plans and Responses to the Finding and Recommendation



STATE OF LOUISIANA
DEPARTMENT OF CIVIL SERVICE

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Allen H. Reynolds
Director

April 26, 2001

Dr. Daniel G. Kyle
Office of the Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

This letter is our official response to the audit finding for the Department of State Civil Service, Failure to Update and Reconcile Movable Property Records. Ms. Ann Wise's response for the Division of Administrative Law is enclosed. With the exception of those comments contained in Ms. Wise's letter, we concur with the audit finding. Anne Soileau is responsible for our corrective action plan. We will take the following corrective action:

We will reconcile the Louisiana Property Assistance Agency's inventory and our internal master inventory files before the end of this fiscal year. We have received from the auditor the master inventory record from LPAA for our agencies. To assure the integrity of the reporting for each agency, the fiscal section will reconcile the internal and LPAA inventory spreadsheets twice a year in January and July.

Each agency will reconcile its LPAA reports and internal inventory files monthly and will note on their LPAA reports and in their master inventory files that this has been done by whom and when so that we will have this available at any time for the auditors. We will contact LPAA if there is any change in our master file not reflected in their reports.

We will make certain that all acquisitions of qualified property are tagged and that all pertinent inventory information is sent to LPAA within 45 days of receipt of the property. Please see the letter from Ms. Wise, which contains the actions she plans to take to insure that this happens.

Dr. Daniel G. Kyle
April 26, 2001
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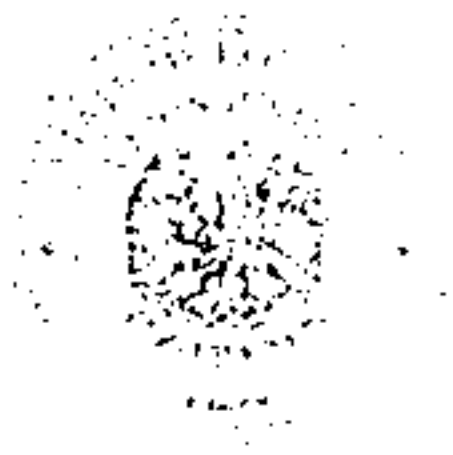
If there are any other steps necessary, please let us know and we will add them to our plan.

Sincerely,

A handwritten signature in cursive script, reading "Allen Reynolds".

Allen H. Reynolds
Director

cc: Ann Wise
Gray Sexton



State of Louisiana
Division of Administrative Law

P.O. Box 44033, Baton Rouge, La. 70804-4033
Main phone (225) 342-1800
Administrative Hearings Clerk (225) 342-1811 • Fax (225) 342-1812
Located at: 654 Main Street, Baton Rouge, La. 70802

H.J. "MIKE" FOSTER, JR.
GOVERNOR

April 26, 2001

ANN WISE
DIRECTOR

Dr. Daniel Kyle, PhD, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

I have reviewed the Legislative Auditor's Report on the Department of Civil Service, Division of Administrative Law, dated April 17, 2001, entitled "Failure to update and reconcile movable property records." I offer the following responses.

The first statement is that DAL did not notify LPAA of acquisitions within 45 days. This is an old violation for which DAL had been cited last year by LPAA, and DAL had implemented corrective action for this. These were addressed in DAL's November 16, 2000, response to the LPAA audit. The report also refers to 5 items reported in excess of the required 45 days. Tag numbers 670 and 647 were part of the items in the prior LPAA audit, so these are not new violations. Tag numbers 760, 761, and 762 were acquired after the LPAA audit, and were entered into the system within 45 days but did not appear on LPAA's add/change report. Tag numbers 760, 761 and 762 were entered on January 16, 2001, within the 45 days. When DAL received the add/change report, they were not listed. We met with LPAA and LPAA suggested we do a print screen to confirm that all pertinent information is entered in the future. They have had problems with their system.

The second claim is that DAL did not provide monthly reconciliations between its master inventory file and LPAA reports. We have implemented, and will adopt this procedure in the future. However, we do not concur that this should be a finding since this is not required in the LPAA state property regulations. The LPAA audit of DAL did not find this as a violation. We spoke with LPAA and were advised that LPAA has no regulation requiring this. The Department of Civil Service never advised us to use this procedure.

When our agency was created in 1996, there were no property manager or office manager personnel transferred to DAL. The Department of Civil Service does not perform these duties for us. We were not given a position to conduct this job. There were no internal LPAA-type procedures to inherit from a predecessor, as we started a new agency.

There was no training for the job of property manager and the rules, procedures and reporting requirements are highly detailed. For 2 ½ years, the Division of Administrative Law continued to operate out of various agencies' offices in Baton Rouge. When we consolidated the Baton Rouge offices in 1999, various property was moved. The first training session on property was almost three years after DAL was created. Our employees could have benefited from more training but no other training was offered. We have urged LPAA to offer more training but no future training dates have been set.

The LPAA audit in September 2000 was four years after DAL had begun, was our first property audit, and the first opportunity we had to learn what mistakes had been made in the past. We have and are correcting them.

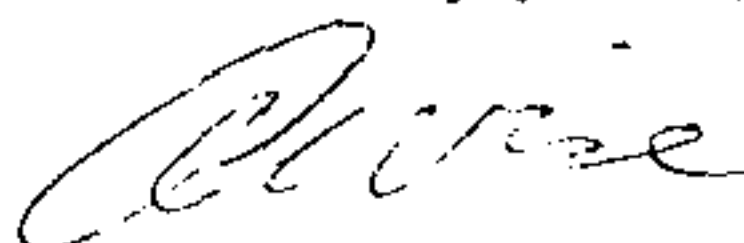
Our corrective action plan is as follows:

1. The Property Manager duties are being transferred to the Office Manager from the Administrative Specialist. Susan Cowart will be responsible for this corrective action plan.
2. The Property Manager will tag acquisitions of qualified property and send pertinent inventory information to LPAA within 45 days of receipt of the property.
3. DAL will submit their internal and LPAA inventory sheets twice a year to the Department of Civil Service, on January 5 and July 1.
4. DAL will reconcile its LPAA reports and internal inventory files monthly.
5. DAL will note on LPAA reports, on our master inventory files and in-house spreadsheet that this has been done and by whom, and have this available for the auditors.
6. DAL will contact LPAA if there is any change in our master file not reflected in the LPAA reports.

The corrective actions are being implemented immediately and will be ongoing for the future.

We are going to make many changes to comply with your findings, as indicated in this response. Thank you for the opportunity to respond and for helping us to understand the requirements.

Very truly yours,



Ann Wise
Director